REMARKS

Reconsideration of all grounds of rejection, and allowance of all the pending claims are respectfully requested in light of the above amendments and the following remarks. Claims 1-16, as shown above, remain pending herein.

Claims 15 and 16 stand rejected under 35 U.S.C.§103(a) over Stenger (DE 3608489A1) in view of Katata et al. (U.S. 5,815,601 hereinafter "Katata"). Applicants respectfully traverse this ground of rejection.

Applicants respectfully submit that claims 15 and 16 would not have been obvious to a person of ordinary skill in the art over the combination of Stenger and Katata.

It is admitted in the Office Action that Stenger fails to disclose the encoding of foreground at a first level of quantization and a background as a second level at a second level of quantization, but such teachings are allegedly provided by Katata. However, Katata discloses at column 2, lines 1-6 that there is provided an encoder to permit a dynamic image at a better image quality than other area without increasing the amount of data transmitted.

In other words, Katata (and thus the combination of Stenger and Katata) teaches setting the quantization step size to a small value for blocks in the selected area, and also sets the other blocks to large values (column 7, lines 61-64) to improve the image of the selected area without increasing the amount of data transmitted. Thus, in Katata, the increased size of the quantization step for the "other blocks" corresponds to the decreased size in quantization (via a smaller step) of the selected area, so as to not increase the amount of data transmitted.

In contrast, in the instantly claimed invention, a threshold is used to determine the constitution of a selected block, and the increased encoding of foreground information does not result in a decreased encoding of the background information. The threshold is a predefined threshold or can vary according to the bit rate capacity of the channel, but there is no change in the quantization of one type of block at the expense of the other (please see the specification at least at page 6, lines 15-20, and page 7, lines 8-9), which distinguishes from the combination of Stenger and Katata.

Accordingly, Applicants have clarified claim 15 by adding the recitation that: **wherein a threshold is provided to determine whether an 8 X 8 DCT block is to be encoded at a first high level of quantization or a second lower level of quantization without varying an encoding rate of the second lower level of quantization to accommodate an encoding rate of the first high level.**

Applicants respectfully submit that claims 15 and 16 would not have been obvious to a person of ordinary skill in the art over the combination of Stenger and Katata.

Reconsideration and withdrawal of this ground of rejection are respectfully requested.

Claims 1-14 stand rejected under 35 U.S.C.§103(a) over Stenger and Katata, and further in view of Monro et al. (U.S. 6,078,619 hereinafter "Monro") and Chun et al. (U.S. 6,038,258 hereinafter "Chun"). Applicants respectfully traverse this ground of rejection.

For the reasons indicated above in the traversal of claims 15 and 16, Applicants note that the combination of Stenger and Katata do not disclose or suggest thresholded

background and foreground rates, as Stenger is silent on the matter and Katata discloses varying the background rate to accommodate the foreground rate and keep the amount of data to be transmitted the same.

First, Applicants respectfully submit that the teachings of Monro are not combinable with Stenger and Katata (and Chun for that matter), as Monro contradicts Katata by disclosing a conventional bit rate manager that does not temporarily change quantization levels of the second lower level to accommodate a higher first level. Chun in combination with Monro (and Stenger and Katata), fails to provide a person of ordinary skill in the art any disclosure, suggestion, motivation such that any of the instant claims would have been obvious at the time of invention.

For at least the above reasons, reconsideration and withdrawal of all grounds of rejection under 35 U.S.C.§103(a) are respectfully requested.